

Cedar Bluff Utilities, Inc.
Utility Exhibit One
Financial Statements

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CITY OF CEDAR BLUFF
MAY 11 2011

ENCLOSURE
CITY OF CEDAR BLUFF

Cedar Bluff Utilities, Inc.

BALANCE SHEET

December 31, 2002

Schedule A

ASSETS

Plant In Service-Sewer	434,883	
Accumulated Depreciation-Sewer	124,045	
Net Utility Plant	\$ <u>310,837</u>	
Construction Work In Process-Sewer	0	
Current Assets		
Cash	0	
Accounts Receivable - Net	11,572	
Other Current Assets	<u>0</u>	
Total	\$ <u>11,572</u>	
TOTAL ASSETS	\$ <u><u>322,409</u></u>	

LIABILITIES AND OTHER CREDITS

Capital Stock and Retained Earnings		
Common Stock and Paid In Capital	\$	10,190
Retained Earnings		31,159
Total	\$	<u>41,349</u>
Current and Accrued Liabilities		
Accounts Payable-Trade		0
Taxes Accrued		45
Customer Deposits		0
Customer Deposits - Interest		5,475
A/P - Assoc. Companies		(100,794)
Total	\$	<u>(95,274)</u>
Contributions In Aid of Construction-Sewer		225,837
Advances from UI		135,939
Advances in Aid of Construction-Sewer		5,475
Accumulated Deferred Income Tax		
Unamortized ITC		2,761
Deferred Tax - Federal		11,798
Deferred Tax - State		0
Total	\$	<u>14,559</u>
TOTAL LIABILITIES AND OTHER CREDITS	\$	<u><u>322,409</u></u>

	Books	Adjustments	Present	Proposed Increase	Pro Forma Proposed
<u>Operating Revenues</u>					
Service Revenues - Sewer	45,811		45,811	11,270 [a]	57,081
Miscellaneous Revenues	293		293		293
Uncollectible Accounts	(4)		(4)	(1) [b]	(5)
Total Operating Revenues	46,101	0	46,101	11,269	57,370
<u>Maintenance Expenses</u>					
Salaries and Wages	5,572	167 [c]	5,739		5,739
Purchased Power	7,325		7,325		7,325
Purchased Sewer & Water	0		0		0
Maintenance and Repair	10,950		10,950		10,950
Maintenance Testing	922		922		922
Chemicals	0		0		0
Transportation	548		548		548
Operating Exp. Charged to Plant	(613)		(613)		(613)
Outside Services - Other	307		307		307
Total	25,010	167	25,178	0	25,178
<u>General Expenses</u>					
Salaries and Wages	2,233	67 [c]	2,300		2,300
Office Supplies & Other Office Exp.	647	627 [d]	1,274		1,274
Regulatory Commission Exp.	0	1,519 [e]	1,519		1,519
Pension & Other Benefits	1,299	824 [f]	2,123		2,123
Rent	48		48		48
Insurance	6,204	224 [g]	6,429		6,429
Office Utilities	172		172		172
Miscellaneous	124		124		124
WSC Allocation Increase	0	144 [h]	144		144
Total	10,727	3,405	14,131	0	14,131
Depreciation	6,975	4,724 [i]	11,699		11,699
Taxes Other Than Income	1,292	21 [j]	1,312	34 [j]	1,346
Income Taxes - Federal	1,355	(2,687) [k]	(1,332)	3,629 [k]	2,297
Income Taxes - State	346	(552) [k]	(206)	562 [k]	356
Amortization of CIAC	(5,326)		(5,326)		(5,326)
Total	4,641	1,505	6,146	4,225	10,371
Total Operating Expenses	40,378	5,077	45,455	4,225	49,680
Net Operating Income	\$ 5,722	\$ (5,077)	\$ 645	\$ 7,044	\$ 7,690
Interest During Construction	0		0		0
Interest on Debt	3,038	194 [l]	3,232		3,232
Net Income	\$ 2,685	\$ (5,271)	\$ (2,586)	\$ 7,044	\$ 4,458

APPROVED FOR THE BOARD OF DIRECTORS
DATE: 1/10/03
BY: [Signature]
Cedar Bluff Utilities, Inc.
Sewer Operations

- [a] Revenues are annualized at proposed rates using the average test year customers.
- [b] Uncollectible accounts are adjusted based on the percentage of uncollectible accounts to revenues in the test year applied to pro-forma proposed revenues.
- [c] Salaries and Wages are adjusted by a 3% increase to represent anticipated raises that will be initiated by year-end.
- [d] Office Supplies and Other Office Expenses have been increased to account for the increase in bank charges, postage, and office supplies due to a change from a quarterly billing cycle to a monthly billing cycle.
- [e] Regulatory Commission Expense has been adjusted to reflect the cost of the current rate case over 3 years. This adjustment does not include the expense of a cost of capital witness as the Utility does not anticipate using one. However, the Utility reserves the right to use a cost of capital witness and will be requesting actual rate case expense at the time of the hearing in the form of a late filed exhibit.
- [f] Pension and Other Benefits have been adjusted to reflect the rising costs of health insurance and the 3% increase in Salaries and Wages.
- [g] Insurance is adjusted by a 36.88% increase to represent the anticipated increase in costs of Automobile, Workers' Compensation, and Property Insurance. See workpaper "b" for support of this adjustment.
- [h] An adjustment for an increase in the expenses allocated by Water Service Corp. reflects the increase in Common Expenses and Computer Related Expenses incurred between the test year and the prior year. The Company anticipates a similar increase in allocated expenses at year-end.
- [i] Depreciation Expense has been adjusted to reflect the additional expense incurred to change from the composite method of calculating depreciation to the class-of-asset method. This change in calculation methods is consistent with Commission practice in prior rate proceedings.
- [j] Taxes Other Than Income is adjusted for annualized Utility Commission Taxes and Gross Receipts Taxes and for the 3% increase in Payroll Taxes due to the 3% increase in Salaries and Wages.
- [k] Income Taxes are computed on taxable income at current rates.
- [l] Interest on Debt has been computed using a 45.69%/54.31% debt/equity ratio and a 8.64% cost of debt.

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Cedar Bluff Utilities, Inc.
Sewer Operations
Rate Base and Rate of Return
Test Year Ended December 31, 2002

Schedule C

	Per Books	Pro Forma Adjustments	As Adjusted	Proposed Increase	Effect of Proposed Increase
Net Operating Income	\$ 5,722	(5,077)	\$ 645	7,044	\$ 7,690
Gross Plant In Service	\$ 434,883		\$ 434,883		\$ 434,883
Accumulated Depreciation	(124,045)		(124,045)		(124,045)
Net Plant In Service	310,837	0	310,837		310,837
Cash Working Capital	4,629	449 [a]	5,078		5,078
Contributions In Aid of Construction	(225,837)		(225,837)		(225,837)
Accumulated Deferred Income Taxes	(11,798)		(11,798)		(11,798)
Customer Deposits	0		0		0
Plant Acquisition Adjustment	0		0		0
Water Service Corporation	3,618		3,618		3,618
Pro Forma Plant	0		0		0
Total Rate Base	\$ 81,449	\$ 449	\$ 81,898	\$ 0	\$ 81,898
Return on Rate Base	7.03%		0.79%		9.39%

[a] Working Capital is calculated based on pro forma expenses.

FILED
JAN 10 2003
FEDERAL RESERVE BANK
OF KANSAS CITY
KANSAS CITY, MISSOURI

SEWER

<u>Bill code</u>	<u>Units</u>	<u>Quarterly Rate</u>	<u>Revenues</u>
<u>All Subs:</u>			
09821	521	\$ 88.20	\$ 45,952
 Total	<u>521</u>		<u>\$ 45,952</u>

per t/b	\$	45,811
difference \$	\$	141
difference %		0.31%

MAY 11 2007

Consumption Analysis 1/1/02 - 12/31/02

PROPOSED REVENUES

SEWER

Bill code	Units	Monthly Rate	Revenues
All Subs:			
09821	1,560	36.59	\$ 57,081
Total	1,560		\$ 57,081

Difference	\$ 11,270
% Increase	24.60%